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For Immediate Release

China-Biotics, Inc. Reports Fourth Quarter and Full Year Fiscal 2009 Financial Results

- ***Full year revenues increased 28% to \$54.2 million***
- ***Full year non-GAAP net income rose 19% to \$16.9 million, or \$0.99 per basic and diluted share***
- ***New plant expected to begin trial production in Q2 FY2010***

Shanghai, China – July 15, 2009 – China-Biotics, Inc. (NASDAQ: CHBT) (“China-Biotics”, “the Company”), a leading Chinese firm specializing in the manufacture, research, development, marketing and distribution of probiotics products, today announced its financial results for the fourth quarter and fiscal year ended March 31, 2009.

Fourth Quarter 2009 Highlights

- Net sales increased 18.9% year-over-year to \$15.5 million
- Gross profit rose 21.0% to \$10.6 million, with a gross margin of 68.5%
- Net income was \$6.6 million, or \$0.39 per basic and diluted share
- Excluding a \$1 million gain related to the change in fair value of convertible notes, non-GAAP net income was \$5.6 million, or \$0.33 per basic and diluted share

Fiscal Year 2009 Highlights

- Net sales increased 28.1% to \$54.2 million
- Gross profit rose 26.6% to \$38.0 million, with a gross margin of 70.1%
- Operating income increased 16.2% to \$21.8 million
- Net income increased 13.8% to \$20.0 million, or \$1.17 per basic and diluted share
- Excluding a \$3.1 million gain related to the change in fair value of convertible notes, non-GAAP net income was \$16.9 million, or \$0.99 per basic and diluted share
- Completed construction of a 150-metric-ton-per-year bulk additives manufacturing facility in Qingpu and expect to start trial production in Q2 FY2010

- Established 46 new Shining-branded retail outlets, bringing the total number of outlets to 106 in Shanghai and 12 other major cities in China
- Expanded number of bulk additive business customers to supply probiotics to dairy, food, pharmaceutical, and animal feed manufacturers
- Listed as CHBT on Nasdaq Global Market in October 2008

Fourth Quarter 2009 Results

During the fourth quarter of the 2009 fiscal year, net sales increased 18.9% to \$15.5 million from \$13.1 million a year ago. The increase resulted from significant growth in the sales of new products, most of which were sold in the Company's Shining-branded retail outlets, and growth in the bulk additive business. The Company's established retail outlets and well-trained sales assistants contributed to the rapid revenue growth from new products through its customer-oriented sales model and establishment of the Community Network, which provides health education and probiotics-related seminars to health-conscious consumers in the middle and high income levels.

"The final quarter of 2009 included several positive accomplishments, the most significant of which was the progress we achieved in our new state-of-the-art manufacturing facility," said Mr. Jinan Song, Chairman and Chief Executive Officer of China-Biotics. "Despite depressed retail sales stemming from the challenging global economy, we continued to experience growth in both of our businesses from the prior year. In addition, we continued to focus on the completion of our new facility, which we expect to begin making a meaningful contribution to revenue in the third quarter of fiscal 2010."

Gross profit for the quarter increased 21.0% to \$10.6 million from \$8.8 million a year ago. Gross margin was 68.5% in the fourth quarter, compared to 67.3% in the same quarter a year ago. The slight improvement in gross margin resulted from an adjustment to the Company's product portfolio.

Operating expenses were \$4.9 million, compared to \$3.1 million in the fourth quarter of fiscal 2008. The increase was primarily due to setup and operations costs for new retail stores and increased salary expense stemming from new hires to support the Company's expansion.

Operating income was \$5.7 million, largely unchanged from fiscal 2008, while operating margin was 36.7%.

Total other income was \$1.1 million, compared to total other income of \$3.6 million in the fourth quarter of fiscal 2008. Other income is primarily comprised of book gains related to the change in the fair value of the \$25 million in convertible notes the Company issued in December 2007.

Net income for the fourth quarter of the 2009 fiscal year was \$6.6 million, or \$0.39 per basic and diluted share, compared with \$8.0 million, or \$0.47 per basic and diluted share, in the fourth quarter of fiscal 2008. The calculation of diluted earnings per share for the fourth quarters of fiscal 2009 and 2008 exclude the potential common stock of 2,083,000 shares related to the

Company's convertible notes at the conversion price of \$12 per share, as the conversion price was higher than the average market price during those periods.

Excluding the book gains associated with the fair value of the convertible notes, non-GAAP net income for the fourth quarter of fiscal 2009 was \$5.6 million, or \$0.33 per basic and diluted share, compared to non-GAAP net income of \$4.6 million, or \$0.27 per basic and diluted share, in the fourth quarter of fiscal 2008.

Fiscal Year 2009 Results

For the 2009 fiscal year, net sales were \$54.2 million, up 28.1% from \$42.3 million in fiscal 2008. Shining Essence, the Company's best-selling product, accounted for 39.9% of sales during the year, compared with 48.6% during the prior year. Shining Probiotics Protein Powder accounted for 5.6% of total sales in fiscal 2009, as sales from that product increased 92% from the prior year. Gross profit during the year was \$38.0 million, an increase of 26.6% from \$30.0 million the prior year. Gross margin was 70.1% in fiscal 2009, compared to 70.9% in fiscal 2008. Operating expenses were \$16.2 million in fiscal 2009, compared to \$11.3 million a year ago. Full-year operating income increased 16.2% to \$21.8 million from \$18.7 million in fiscal 2008. Operating margin was 40.2% in fiscal 2009, compared to 44.3% the prior year. Net income for the 2009 fiscal year was \$20.0 million, or \$1.17 per basic and diluted share, up 13.8% from \$17.5 million, or \$1.03 per basic and diluted share, in fiscal 2008. The calculation of diluted earnings per share for the 2009 and 2008 fiscal years exclude the potential common stock of 2,083,000 shares related to the Company's convertible notes at the conversion price of \$12 per share, as the conversion price was higher than the average market price during those periods. Excluding book gains associated with the change in the fair value of the convertible notes, non-GAAP net income was \$16.9 million, or \$0.99 per basic and diluted share, an increase of 19.0% from non-GAAP net income of \$14.2 million, or \$0.83 per basic and diluted share, a year ago.

Financial Condition

As of March 31, 2009, the Company had cash and cash equivalents of \$70.8 million and working capital of \$55.0 million. In fiscal 2009, China-Biotics generated \$23.1 million in cash flow from operations and recorded \$17.5 million in capital expenditures, primarily for the construction of the new manufacturing facility. Accounts receivable were \$14.4 million, and days' sales outstanding improved to 93 for the year from 119 in 2008. At March 31, 2009, the Company had stockholders' equity of \$65.4 million, compared to \$44.4 million the prior year.

Business Outlook

The Company's new bulk additives production facility is scheduled to commence trial production during the second quarter of fiscal 2010. As of June 30, 2009, China-Biotics had signed contracts with 16 commercial customers located in Beijing and Shanghai cities and Jiangsu, Jiangxi, Qinghai, Shaanxi, Shandong and Zhejiang provinces. These growing companies are among the leaders in the baked foods, dairy, poultry feed and pharmaceutical industries.

“With the ramp-up of our new facility this year, we will be able to accept larger purchase orders from major dairy producers and animal feed manufacturers, which remain the most prominent sources of demand for bulk additives,” Mr. Song said. “Same-store sales for Shining retail stores that have been in operation at least one year are expected to grow significantly year-over-year, and we hope to continue to expand the number of Shining retail outlets during the year. Although global economic growth remains suppressed, we believe there is pent-up demand for our bulk additive products, which should generate substantial growth in revenues and net income during the 2010 fiscal year.”

Recent Events

In April 2009, China-Biotics signed an agreement with Dabeinong Group (“Dabeinong”) to supply probiotics as bulk additives for poultry feed products. These bulk additives will be used in several of Dabeinong’s products and will help enhance the avian immune system and increase poultry survival and egg production rates in commercially raised poultry.

In June 2009, China-Biotics attended Digestive Disease Week 2009 in Chicago. DDW is the largest and most prestigious meeting in the world for gastrointestinal professionals in the fields of gastroenterology, hepatology, endoscopy and gastrointestinal surgery, attracting approximately 16,000 physicians, researchers and academics from around the world.

Also in June 2009, the Company joined the Russell 3000® Index and Russell Global® Index, as Russell Investments reconstituted its comprehensive set of U.S. and global equity indices,

Conference Call

The company will host a conference call at 10:00 a.m. EDT on, Wednesday, July 15, 2009, to discuss its financial results for the fourth quarter and fiscal year ended March 31, 2009. To participate in the event by telephone, please dial 888-241-0558 five to 10 minutes prior to the start time (to allow time for registration) and reference passcode 16647783. International callers should dial 647-427-3417. The conference call will be broadcast live over the Internet and can be accessed by all interested parties at the Company’s Web site, www.chn-biotics.com. To listen to the call, please visit the site at least 15 minutes prior to the start of the call to register, download, and install any necessary audio software. For those unable to participate during the live webcast, it will be archived using the same link for 90 days. A digital replay of the call will also be available on Wednesday, July 15, at approximately 11:00 a.m. EDT through Wednesday, July 29, at midnight EDT. Dial 800-695-3685 and enter the conference ID number 16647783. International callers should dial 402-220-1757 and enter the same conference ID number.

Use of Non-GAAP Financial Information

GAAP results for the fourth quarters and fiscal years ended March 31, 2009 and 2008, include non-cash gains related to change in fair value of the Company's convertible notes. To supplement the Company's condensed consolidated financial statements presented on a GAAP basis, the Company has provided non-GAAP financial information excluding the impact of these items in

this release, which are non-GAAP net income and non-GAAP diluted earnings per share. The Company's management believes that these non-GAAP measures provide investors with a better understanding of how the results relate to the Company's historical performance. A reconciliation of adjustments to GAAP results appears in the tables accompanying this press release. This additional non-GAAP information is not meant to be considered in isolation or as a substitute for GAAP financials. The non-GAAP financial information that the Company provides also may differ from the non-GAAP information provided by other companies.

About China-Biotics, Inc.

China-Biotics, Inc. (“China-Biotics,” “the Company”), a leading manufacturer of biotechnology products and supplements, engages in the research, development, marketing and distribution of probiotics dietary supplements. Through its wholly owned subsidiary, Shanghai Shining Biotechnology Co., Ltd., the Company has operations in Shanghai. Its proprietary product portfolio contains live microbial nutritional supplements under the “Shining” brand. Currently, the products are sold OTC through large distributors to pharmacies and supermarkets in Shanghai, Jiangsu, and Zhejiang. China-Biotics plans to launch 300 Shining brand stores in major cities in China. Currently, China-Biotics is strategically expanding its production capacity of probiotics to meet growing demand in the bulk additive market. For more information, please visit <http://www.chn-biotics.com>.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: The information in this release contains forward-looking statements which involve risks and uncertainties, including statements regarding the Company’s capital needs, business strategy and expectations. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements, which may be identified by terminology such as “may,” “should,” “will,” “expect,” “plan,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “forecast,” “project,” or “continue,” the negative of such terms or other comparable terminology. Readers should not rely on forward-looking statements as predictions of future events or results. Any or all of the Company’s forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions, risks and uncertainties and other factors which could cause actual events or results to be materially different from those expressed or implied in the forward-looking statements. In evaluating these statements, readers should consider various factors, including the risks described in “Item 1A. Risk Factors” beginning on page 15 and elsewhere in the Company’s 2009 Annual Report on Form 10-K. These factors may cause the Company’s actual results to differ materially from any forward-looking statement. In addition, new factors emerge from time to time and it is not possible for the Company to predict all factors that may cause actual results to differ materially from those contained in any forward-looking statements. The Company disclaims any obligation to publicly update any forward-looking statements to reflect events or circumstances after the date of this document, except as required by applicable law.

– FINANCIAL TABLES FOLLOW –

CHINA-BIOTICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts expressed in US Dollars)

	Three months ended March 31,		Years ended March 31,	
	2009	2008	2009	2008
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(audited)</u>	<u>(audited)</u>
Net sales	\$ 15,521,065	\$ 13,054,310	\$ 54,197,082	\$ 42,321,111
Cost of sales	<u>(4,892,374)</u>	<u>(4,270,441)</u>	<u>(16,197,267)</u>	<u>(12,310,092)</u>
Gross profit	<u>\$ 10,628,691</u>	<u>\$ 8,783,869</u>	<u>\$ 37,999,815</u>	<u>\$ 30,011,019</u>
Operating expenses:				
Selling expenses	\$ (3,048,922)	\$ (2,238,193)	\$ (11,563,012)	\$ (6,869,109)
General and administrative expenses	(2,027,988)	(1,670,929)	(6,246,482)	(4,826,473)
Other income (expenses)	<u>143,132</u>	<u>789,221</u>	<u>1,592,773</u>	<u>431,844</u>
Total operating expenses	<u>\$ (4,933,778)</u>	<u>\$ (3,119,901)</u>	<u>\$ (16,216,721)</u>	<u>\$ (11,263,738)</u>
Income from operations	<u>\$ 5,694,913</u>	<u>\$ 5,663,968</u>	<u>\$ 21,783,094</u>	<u>\$ 18,747,281</u>
Other income and expenses:				
Changes in the fair value of embedded derivatives	\$ 1,019,000	\$ 3,366,000	\$ 3,092,000	\$ 3,366,000
Interest income	40,692	222,358	<u>254,183</u>	<u>365,594</u>
Total other income (expenses)	<u>\$ 1,059,692</u>	<u>\$ 3,588,358</u>	<u>\$ 3,346,183</u>	<u>\$ 3,731,594</u>
Income before taxes	\$ 6,754,605	\$ 9,252,326	\$ 25,129,277	\$ 22,478,875
Provision for income taxes	<u>(165,472)</u>	<u>(1,264,197)</u>	<u>(5,162,388)</u>	<u>(4,936,631)</u>
Net income	<u>\$ 6,589,132</u>	<u>\$ 7,988,129</u>	<u>\$ 19,966,889</u>	<u>\$ 17,542,244</u>
Earnings per share:				
Basic and diluted	\$ 0.39	\$ 0.47	\$ 1.17	\$ 1.03
Weighted average shares outstanding				
Basic and diluted	17,080,000	17,080,000	17,080,000	17,080,000

CHINA-BIOTICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Audited, amounts expressed in US Dollars)
AS OF MARCH 31, 2009 AND 2008

ASSETS

Current assets

Cash and cash equivalents	\$ 70,824,041	\$ 64,310,448
Accounts receivable	14,428,382	13,214,531
Other receivables	6,493	238,835
Inventories	563,853	408,358
Prepayment	1,547,582	1,806,605

Total current assets	\$ 87,370,351	\$ 79,978,777
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Property, plant and equipment and land use right	\$ 33,079,839	\$ 13,812,749
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Deferred tax assets	354,157	-
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Total assets	\$ 120,804,347	\$ 93,791,526
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 2,909,898	\$ 2,786,180
Tax payables	25,691,681	22,317,982
Other payables and accruals	3,734,526	1,792,156

Total current liabilities	\$ 32,336,105	\$ 26,896,318
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Non-current liabilities

Convertible note, net of discount of \$8,554,365 and \$6,000,054 as of March 31, 2008 and 2009, respectively	\$ 18,999,946	\$ 16,445,635
Embedded derivatives	2,660,000	5,752,000
Interest payable	1,411,942	302,306

Total non-current liabilities	\$ 23,071,888	\$ 22,499,941
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Commitments and contingencies

Stockholders' equity:

Common stock (par value of \$0.0001, 100,000,000 shares authorized, 41,461,004 shares issued and outstanding as of March 31, 2008 and 2009)	\$ 4,146	\$ 4,146
Additional paid-in capital	7,863,031	7,863,031
Retained earnings	49,794,033	29,827,144
Treasury stock at cost (24,381,004 shares)	(2,438)	(2,438)
Accumulated other comprehensive income	4,711,788	3,677,590
Capital and statutory reserves	3,025,794	3,025,794

Total stockholders' equity	\$ 65,396,354	\$ 44,395,267
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Total liabilities and stockholders' equity	\$ 120,804,347	\$ 93,791,526
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CHINA-BIO+TICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(Audited, amounts expressed in US Dollars)
FOR THE YEARS ENDED MARCH 31, 2009 AND 2008

	Years ended March 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 19,966,889	\$ 17,542,244
Adjustments for:		
Loss (Gain) on disposal of plant and equipment	30,022	-
Depreciation	1,768,127	999,148
Change in fair value of convertible notes	(3,092,000)	(3,366,000)
Change in deferred tax	(354,197)	-
(Increase)/Decrease in restricted cash	-	-
(Increase)/Decrease in accounts receivable	(920,958)	2,261,918
(Increase)/Decrease in inventories	(141,055)	(154,189)
(Increase)/Decrease in prepayment	540,677	(1,418,658)
(Increase)/Decrease in other receivables	-	-
Increase/(Decrease) in accounts payable	43,042	1,036,521
Increase in income tax and surcharge payables	2,978,145	2,038,378
Increase/(Decrease) in other payables and accruals, and value added tax payable	2,248,135	422,113
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 23,066,827	\$ 19,361,475
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales proceeds from disposal of plant and equipment	\$ -	\$ -
Payment of capital expenditures	(808,219)	-
Purchase of plant and equipment	(16,671,454)	(10,302,291)
NET CASH USED IN INVESTING ACTIVITIES	\$ (17,479,673)	\$ (10,302,291)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of convertible note	\$ -	\$ 25,000,000
Repayment on loan from shareholders	-	-
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	\$ -	\$ 25,000,000
Effect of exchange rate changes on cash	\$ 926,439	\$ 3,259,239
NET INCREASE IN CASH AND CASH EQUIVALENTS BALANCES	\$ 6,513,593	\$ 37,318,423
CASH AND CASH EQUIVALENTS BALANCES AT BEGINNING OF PERIOD	64,310,448	26,992,025
CASH AND CASH EQUIVALENTS BALANCES AT END OF PERIOD	\$ 70,824,041	\$ 64,310,448
Supplemental of cash flow information:		
Interest paid	\$ 808,219	\$ -
Income tax paid	\$ 3,119,911	\$ 3,034,435

CHINA-BIOTICS, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP FINANCIAL DATA

	Q4 2009		Q4 2008	
		Diluted		Diluted
Non-GAAP Net income	Net Income	EPS ⁽¹⁾	Net Income	EPS ⁽¹⁾
Adjusted Amount	\$5,570,132	\$0.33	\$4,622,129	\$0.27
Adjustments				
Non-cash gains from change in fair value of convertible bonds	1,019,000	\$0.06	\$3,366,000	\$0.20
Amount per consolidated statement of operations	\$6,589,132	\$0.39	\$7,988,129	\$0.47

(1) Diluted earnings per share based on 17,080,000 weighted average shares

	FY 2009		FY 2008	
		Diluted		Diluted
Non-GAAP Net income and diluted EPS	Net Income	EPS ⁽¹⁾	Net Income	EPS ⁽¹⁾
Adjusted Amount	16,874,889	\$0.99	14,176,244	\$0.83
Adjustments				
Non-cash gains from change in fair value of convertible bonds	3,092,000	\$0.18	3,366,000	\$0.20
Amount per consolidated statement of operations	19,966,889	\$1.17	17,542,244	\$1.03

(1) Diluted earnings per share based on 17,080,000 weighted average shares

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